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Financing of the United Nations Peacekeeping Force in Cyprus

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The United Nations Peacekeeping Force in Cyprus (UNFICYP) was established by the Security Council on 4 March 1964. From its inception until June 1993, the costs of the Force were met by Governments providing contingents, by the Government of Cyprus and by voluntary contributions. In accordance with General Assembly resolution 47/236 of 14 September 1993, the costs of the Force since 16 June 1993 that were not covered by voluntary contributions have been assessed on Member States. Voluntary contributions equal to one third of the annual cost of UNFICYP have been made on a continuing basis by the Government of Cyprus, while the Government of Greece has been making an annual contribution of $6.5 million.

Financial performance for the period from 1 July 1996 to 30 June 1997

2. For the period from 1 July 1996 to 30 June 1997 the General Assembly approved an amount of $45,079,500 gross ($43,049,600 net), including the portion to be met through voluntary contributions from the Governments of Cyprus and Greece (resolution 50/236 of 7 June 1996). Recorded expenditures amounted to $44,957,700 gross ($42,972,300 net), resulting in unutilized resources of $121,800 gross ($77,300 net), which were offset by an additional obligation of $724,700 for the period from January to December 1995, resulting in additional requirements of $602,900 gross ($647,400 net).

3. The Advisory Committee was informed that the prior year obligation of $724,700 related to contractual obligations for logistical support provided by the Government of the United Kingdom of Great Britain and Northern Ireland. These overruns specifically related to salaries and benefits payable to locally employed civilians for the first six months of the period (1 January to 30 June 1995). While local salary estimates were based on 1994 expenditures, actual salaries reflected higher rates set by the Civilian Establishment and Pay Office of the British forces, which resulted in a shortfall in the amount owed to the United Kingdom.

4. In this connection, the Advisory Committee recalls that an amount of $5,284,000 had been included in the estimates for the period from 1 July 1997 to 30 June 1998 to provide for the United Nations share of the one-time cost of termination benefits and redundancy payments for 304 former locally employed civilians in Cyprus (see A/51/851, para. 32).

5. The reasons for the savings of $121,800 gross ($77,300 net) are indicated in paragraph 7 of the report of the Secretary-General of 22 January 1998 (A/52/775). The Advisory Committee notes that considerable savings arose out of economy measures, as well as control and strict monitoring of expenditures by the administration. The Committee welcomes these measures and trusts that other peacekeeping missions will follow suit.

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6. The Advisory Committee was informed that unliquidated obligations of $17.2 million were reduced to $15.6 million as of 31 January 1998, of which $14.8 million related to military personnel costs. The Committee was also informed that the cash position as at 2 March 1998 was $10.1 million. On enquiry, the Committee was informed that the new arrangements for contingent-owned equipment had not yet been introduced in UNFICYP.

7. Annex I to the report of the Secretary-General shows a savings of $317,300 for rations for military contingents. As indicated in paragraph 4 of annex II.B, the savings were due not only to lower than estimated average troop strength, but also to tighter management control over rations procurement, distribution and consumption in the mission area. The Advisory Committee welcomes this and trusts that other missions will apply such measures.

8. The Advisory Committee enquired about the status of the investigation by the Office of Internal Oversight Services into fraudulent activities by certain UNFICYP personnel in managing the operation of food (see A/51/851, para. 18). The Committee was informed that the total amount involved in the fraud was $400,000, and, while the staff involved had been separated from service, an amount of $80,000 had been withheld from the supplier. The matter was still being considered by the Office of Legal Affairs, and, on enquiry, the Committee was informed that legal advice would be provided to the substantive office shortly.

9. Annex I to the report of the Secretary-General shows an overexpenditure of $1,173,000 for international and local staff, despite the fact that, as the Advisory Committee was informed, there were 4 per cent and 7 per cent vacancy rates for international and local staff, respectively. In the same annex, a savings of $331,000 were shown in respect of international staff salaries, but the total overexpenditure relates to local staff salaries and overtime payments, as well as to payments to consultants.

10. The Advisory Committee was informed that the increase in costs for local staff salaries was the result of a local salary review conducted annually by the United Nations Development Programme; the increase in the local salary scale in Cyprus was 3.2 per cent effective 1 January 1996 and 12.5 per cent effective 1 January 1997. On enquiry, the Committee was informed that a comprehensive survey on local salaries is done once every four years; however, an interim review is made every year in June based on comparator salaries in the area. Depending on the outcome, local salaries are adjusted accordingly. An interim cost-of-living survey will be carried out in Cyprus in June 1998.

11. The Advisory Committee notes from paragraph 37 of annex II.B to the report of the Secretary-General that additional resources of $134,900 were required for the rental of 157 vehicles; the cost proved to be higher than projected because the estimate had provided for rental of 145 vehicles per month at an average daily rate of $13.74 per vehicle, or $417.93 per vehicle per month. In addition, as indicated in the same paragraph, with the implementation of a new three-year contract, there was a rate increase. The Committee was informed that the renewal of the contract did not coincide with the budget period and was entered into after the budget had been approved.

12. The Advisory Committee notes from paragraph 75 of Annex II.B that since no provision was made in the cost estimates, additional requirements of $114,400 were needed in connection with claims in respect of damages incurred as a result of traffic accidents not covered by local insurance. The Committee was informed that all vehicles rented by UNFICYP were provided with local third-party liability insurance and that this insurance coverage was provided under the terms and conditions of the vehicle rental agreements between UNFICYP and the local vendors. The Committee requested that the additional requirements be clarified. The Committee was informed that the mission had a history of a large number of traffic accidents and that a number of measures, such as installation of electronic black boxes, defensive driver training and determined action against gross negligence cases, were being taken by the administration to address the problem.

Cost estimates for the period from 1 July 1998 to 30 June 1999

13. As indicated in paragraph 29 of the report of the Secretary-General of 24 February 1998 (A/52/755/Add.1), an amount of $43,009,000 gross ($41,269,700 net) has been requested for the maintenance of UNFICYP for the 12-month period from 1 July 1998 to 30 June 1999. This request is some 10.4 per cent less than the amount authorized by the General Assembly for the 12-month period ending 30 June 1998. The Advisory Committee recommends acceptance of the amount (see para. 27 below).

14. For the period from 1 July 1997 to 30 June 1998, while the General Assembly had approved an amount of $48,000,800 gross, an amount of $50,320,400 gross ($48,180,600 net) had been estimated by the Secretary-General, an increase of some 11.6 per cent over the previous budget of $45,049,600 for the period from 1 July 1996 to 30 June 1997.

15. The budget for the period from 1 July 1997 to 30 June 1998 included an amount of $5,284,000 to provide for the United Nations share of the one-time cost of termination benefits and redundancy payments for 304 former locally employed civilians in Cyprus. In this connection, the Advisory Committee notes that by its resolution 51/235 of 13 June 1997 the General Assembly decided to include in the total appropriation of resources for the period from 1 July 1997 to 30 June 1998, an amount of $1,131,000 for the cost of termination benefits for the locally employed civilians. The Committee was informed that the balance ($4,153,000) would be paid by the Governments of Cyprus and Greece. The Committee points out that resolution 51/235 makes no direct mention of this fact, although it does request the Secretary-General to direct the Office of Internal Oversight Services to evaluate the events and circumstances that led to United Nations responsibility for termination pay to the locally employed civilians, including all aspects of accountability and responsibility of United Nations staff, and to report thereon to the Assembly.

16. As indicated above, major items that account for the reduction in the estimates include the elimination of the $5.3 million non-recurrent payment of terminal benefits, reduction of miscellaneous other services from $1,218,500 to $68,400 and savings due to the implementation of the results of the in-depth review of the use of civilian personnel leading to the planned reduction of 86 local level posts. These were partially offset by increased requirements for local staff costs, which reflect a 12.5 per cent increase in the local staff salary scale for Cyprus effective 1 January 1997 (see A/52/775, annex II.C, para. 11, and para. 10 above).

17. As indicated in paragraphs 5 and 7 above, the performance report for the period ending 30 June 1997 shows several efficiency and other management measures that should affect the level of resources required for corresponding items, both in the financial period ending 30 June 1998 and the period ending 30 June 1999.

18. With regard to the reduction of the 86 local level posts, the Advisory Committee was informed that most of the staff have contracts ending 30 June 1998, and therefore there would not be a problem in implementing the planned reduction of the posts. The Committee was also informed that there had been a recruitment freeze since July 1996, and that this should facilitate implementation of the reduction exercise.

19. With regard to the use of civilian personnel in general, the Advisory Committee recommends that further steps be taken to effect more streamlining and efficiency in such areas as general and support services by contracting out some of these services and thereby effecting further staff reduction. The Committee was informed that, in view of the political situation in the area, the mission had to use a balanced approach in its employment practices, and there was therefore a limit to which services could be contracted out. The Committee does not believe that this problem is insurmountable and trusts that every effort will be made in this area.

20. The Advisory Committee notes from annex I to the report of the Secretary-General that the estimate for travel costs has increased by some 46 per cent. The explanation as reflected in paragraph 12 of annex II.C shows that there is a need to give priority to travel for the purposes of the peace process. The Committee recommends that travel for other purposes, such as training and management consultations, be strictly monitored and kept to the minimum.

21. As indicated in paragraph 20 of annex II.C to the report, it is proposed to continue to use hired vehicles. The Advisory Committee enquired and was informed that it was still cost-effective to rent rather than purchase vehicles, since the mission did not have its own infrastructure to manage a mission-owned vehicle fleet, and also because, at any given time, should a rented vehicle go out of commission, it would immediately be replaced by the contractor. On the other hand, heavy duty vehicles have to be purchased since it is not possible to rent them locally.

22. The Advisory Committee questions the estimated expenditure of $88,300 for the fitting of air-conditioning in 140 rented cars and believes that the contract for rental of vehicles should have included this feature.

23. With regard to the vehicle insurance mentioned in paragraph 24 of annex II.C, the Advisory Committee was informed on enquiry that coverage for the 50 vehicles owned by the United Kingdom to be withdrawn from the mission area as of 1 September 1998 (see annex II.C, para. 18) was not included. However, the estimated cost of $5,000 for this purpose could be absorbed within the overall estimates.

24. The Advisory Committee notes that while the estimates provide for payment to troop-contributing Governments of a usage factor for all items of personal clothing, gear and equipment to their troops at a standard rate of $65 per person per month (see annex II.C, para. 7), also included under the estimates for contractual services is an amount of $60,000 for tailoring. The Committee questioned the justification for this and was informed that the matter was under review.

25. The Advisory Committee had stated that it believed that organizations seeking the help of UNFICYP should reimburse UNFICYP (see A/51/851, para. 40). The

Committee notes the information regarding assistance provided by UNFICYP to the World Health Organization, the Office of the United Nations High Commissioner for Refugees and the United Nations Volunteers programme. In this connection, the Committee recommends that care be taken to avoid the establishment of elaborate and costly recovery methods which might not be commensurate with the amounts to be recovered.

26. The Advisory Committee was provided with information on the provisional expenditure for the period from 1 July 1997 to 30 June 1998 as at 19 February 1998. The Committee notes that $38.2 million had been expended and obligated; $15 million for military personnel costs and $1.1 million for contingent-owned equipment had been fully obligated, while no overexpenditure was foreseen for the period ending 30 June 1998.

27. Taking into account its comments and observations in the paragraphs above, the Advisory Committee recommends that the amount of $43,009,000 gross ($41,269,700 net) be approved for the maintenance of UNFICYP for the 12-month period beginning 1 July 1998 and that the General Assembly take the other actions outlined in paragraph 42 of the report of the Secretary-General (A/52/775/Add.1).